LAW FOUNDATION OF NOVA SCOTIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

WBLI

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AUDITORS' REPORT

To The Board of Governors of the Law Foundation of Nova Scotia

We have audited the statement of financial position of the Law Foundation of Nova Scotia as at March 31, 2004 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Law Foundation of Nova Scotia derives substantially all of its revenue from interest credited by financial institutions on Nova Scotia Barristers' Society members' mixed trust funds which is not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to accounting for the amounts received from financial institutions and recorded in the records of the Law Foundation of Nova Scotia.

In our opinion, except for the effect of the adjustments, if any, had interest credited by financial institutions been susceptible to complete audit verification, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2004 and the results of its operations, changes in net assets and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

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Bedford, Nova Scotia

April 12, 2004

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LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2004

	2004	2003
	$	$
ASSETS		
CURRENT ASSETS		
Cash	**480,288**	247,842
Accrued interest receivable - general	**-**	409
Accrued interest receivable - restricted	**3,312**	5,271
Prepaid expenses	**2,863**	2,246
	486,463	255,768
INVESTMENTS - GENERAL (note 3)	**627,017**	703,898
INVESTMENTS - RESTRICTED (note 4)	**2,008,178**	1,963,183
LONG-TERM ACCRUED INTEREST RECEIVABLE - GENERAL	**19,056**	16,869
PROPERTY, PLANT AND EQUIPMENT (note 5)	**5,218**	7,776
	3,145,932	2,947,494
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**6,109**	8,023
Designated grants payable (note 6)	**889,151**	888,910
	895,260	896,933
NET ASSETS		
GENERAL FUND	**239,182**	82,108
RESTRICTED FUND	**2,011,490**	1,968,453
	2,250,672	2,050,561
	3,145,932	2,947,494

COMMITMENT (note 7)

APPROVED ON BEHALF OF THE BOARD

Governor

Governor

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LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF OPERATIONS AND CHANGES IN GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
	$	$
REVENUE		
Interest on trust accounts	**1,206,653**	781,777
Interest on investments	**31,720**	16,892
Gain on disposal of investments	**2,709**	12,188
	1,241,082	810,857
GRANTS (note 6)	**948,270**	943,962
	292,812	(133,105)
EXPENDITURES		
Salaries and benefits	**87,200**	83,265
Accounting and audit	**10,727**	11,535
Rent and common area	**9,976**	9,931
Office	**6,036**	6,150
Telephone	**2,897**	1,681
Computer consulting	**2,758**	4,335
Travel and meetings - board	**1,474**	2,577
Travel - staff	**3,687**	3,192
Bank charges	**858**	821
Brokers' and investment management fees	**6,352**	8,270
Miscellaneous	**1,215**	109
Amortization	**2,558**	2,882
	135,738	134,748
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**157,074**	(267,853)
GENERAL FUND - beginning of year	**82,108**	349,961
GENERAL FUND - end of year	**239,182**	82,108

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LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF OPERATIONS AND CHANGES IN RESTRICTED FUND

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
	$	$
REVENUE		
Interest on investments	**17,623**	17,952
Dividend income	**30,049**	37,097
Gain (loss) on disposal of investments	**34,383**	(45,349)
	82,055	9,700
EXPENDITURES		
Brokers' and investment management fees	**37,869**	38,868
Foreign exchange loss	**1,149**	5,842
	39,018	44,710
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**43,037**	(35,010)
RESTRICTED FUND - beginning of year	**1,968,453**	2,003,463
RESTRICTED FUND - end of year	**2,011,490**	1,968,453

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LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
	$	$
CASH FLOWS (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	200,111	(302,863)
Amortization	2,558	2,882
Approved grants	948,270	943,962
Payment of grants	(948,029)	(1,247,444)
Gain on disposal of investments - general	(2,709)	(12,188)
(Gain) loss on disposal of investments - restricted	(34,383)	45,349
	165,818	(570,302)
Change in noncash working capital balances		
Accrued interest receivable - general	409	2,995
Accrued interest receivable - restricted	1,959	(1,884)
Prepaid expenses	(617)	-
Long-term accrued interest receivable - general	(2,187)	(13,175)
Accounts payable and accrued liabilities	(1,914)	108
	163,468	(582,258)
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-	(2,412)
Investments - General	-	-
Purchase of investments	(437,930)	(354,939)
Proceeds on disposal of investments	272,124	1,070,000
Investments - Restricted	-	-
Purchase of investments	(594,755)	(1,076,757)
Proceeds on disposal of investments	627,505	1,051,103
	(133,056)	686,995
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	30,412	104,737
CASH AND EQUIVALENTS - beginning of year	553,127	448,390
CASH AND EQUIVALENTS - end of year (see note below)	583,539	553,127

NOTE:

CASH AND EQUIVALENTS

Cash and equivalents is comprised of the following items at year end:

	2004	2003
	$	$
Cash	480,288	247,842
Cash - investments - general (note 3)	2,464	247,860
Cash - investments - restricted (note 4)	100,787	57,425
	583,539	553,127

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LAW FOUNDATION OF NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

1. DESCRIPTION OF OPERATIONS

The Law Foundation was established in 1976 by a Nova Scotia statute and is exempt from income tax. Its purpose is to grant funds to groups for projects connected with the law.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Investments - General
These investments are recorded at cost.

Investments - Restricted
These investments, that have been restricted by the Foundation's board of governors, are recorded at cost.

Revenue Recognition
Interest on trust accounts is recorded on a cash basis when transferred to the Foundation. Interest on investments, general and restricted, are recorded on the accrual basis. Dividend income, earned from the general and restricted investments, are recorded on a cash basis when received.

Property, Plant and Equipment
Property, plant and equipment are stated at cost. Amortization is provided using the following annual rates and methods:

	Rate	Method
Office equipment	20%	Diminishing balance
Furniture and fixtures	20%	Diminishing balance
Computer hardware	3 years	Straight line
Computer software	3 years	Straight line

Fund Accounting
The board of governors has internally restricted funds to finance future operations of the Foundation. The net investment income earned on these assets is recorded in the restricted fund.

The general fund accounts for the Foundation's day-to-day activities which include the interest income on lawyers' trust accounts, the interest income on the investments, less grants approved and paid, and the administrative expenses relating to the running of the Foundation.

3. INVESTMENTS - GENERAL

At March 31, 2004, the Foundation's investments held in the general fund are comprised of the following:

	2004	2003
	$	$
Fixed income funds (market value - $653,928; 2003 - $470,542)	624,553	456,038
Cash	2,464	247,860
	627,017	703,898

At March 31, 2004, the Foundation's fixed income investments held in the general fund are comprised of the following:

	2004
	$
Bonds	
Government of Canada - due October 1, 2007 with yield to maturity of 4.41% and face value of $75,000	61,460
Coupons	
Government of Canada - due June 1, 2008 with yield to maturity of 4.22% and face value of $120,000	99,526
Government of Canada - due December 1, 2008 with yield to maturity of 3.72% and face value of $179,041	150,000
Province of British Columbia - due June 9, 2008 with yield to maturity of 4.31% and face value of $75,000	61,899
Province of Nova Scotia - due June 1, 2008 with yield to maturity of 4.07% and face value of $75,000	65,795
Province of Newfoundland - due April 18, 2008 with yield to maturity of 4.63% and face value of $75,000	59,367
Province of Nova Scotia - due June 1, 2008 with yield to maturity of 4.33% and face value of $75,000	61,893
Province of Ontario - due December 1, 2008 with yield to maturity of 3.78% and face value of $77,339	64,613
	624,553

4. INVESTMENTS - RESTRICTED

The Foundation has internally restricted funds totalling $2,008,178 (2003 - $1,963,183) for the purpose of covering continuing commitments should the Foundation not have sufficient resources to maintain its future grants. At March 31, 2004, the Foundation's investments held in the restricted fund are comprised of the following:

	2004	2003
	$	$
Equities (market value - $1,774,855; 2003 - $1,299,041)	1,608,226	1,599,327
Fixed income funds (market value - $313,764; 2003 - $307,700)	299,165	306,431
Cash	100,787	57,425
	2,008,178	1,963,183

At March 31, 2004, the Foundation's fixed income investments held in the restricted fund are comprised of the following bonds:

	2004
	$
Province of Ontario - due March 8, 2007 with yield to maturity of 5.20% and face value of $27,000	26,690
Government of Canada - due June 1, 2007 with yield to maturity of 7.25% and face value of $9,000	10,123
Thompson Corporation - due July 9, 2007 with yield to maturity of 6.50% and face value of $15,000	15,870
GE Capital Canada - due July 24, 2007 with yield to maturity of 5.30% and face value of $12,000	12,085
Alberta Energy Company - due October 1, 2007 with yield to maturity of 5.95% and face value of $11,000	10,901
IPL Energy Incorporated - due July 29, 2008 with yield to maturity of 5.80% and face value of $16,000	16,432

4. INVESTMENTS - RESTRICTED (continued)

At March 31, 2004, the Foundation's fixed income investments held in the restricted fund are comprised of the following bonds (continued):

	2004 $
Government of Canada - due September 1, 2008 with yield to maturity of 4.25% and face value of $24,000	24,150
Government of Canada - due September 1, 2008 with yield to maturity of 4.25% and face value of $42,000	41,987
TD Capital Trust - due December 31, 2009 with yield to maturity of 7.60% and face value of $11,000	11,820
RBC Capital Trust - due June 30, 2011 with yield to maturity of 7.183% and face value of $12,000	12,486
Province of Ontario - due December 2, 2011 with yield to maturity of 6.10% and face value of $16,000	16,983
Royal Bank of Canada - due June 4, 2012 with yield to maturity of 6.75% and face value of $16,000	17,395
Toronto Dominion Bank - due July 31, 2012 with yield to maturity of 6.55% and face value of $7,000	7,467
Government of Canada - due June 1, 2014 with yield to maturity of 5.00% and face value of $42,000	42,945
Province of Alberta - due September 16, 2016 with yield to maturity of 5.93% and face value of $14,842	15,561
Government of Canada - due June 1, 2029 with yield to maturity of 5.75% and face value of $16,000	16,270
	299,165

5. PROPERTY, PLANT AND EQUIPMENT

	2004			2003
	Cost	Accumulated Amortization	Net	Net
	$	$	$	$
Office equipment	21,449	18,310	3,139	3,924
Furniture and fixtures	4,582	3,308	1,274	1,593
Computer hardware	8,258	7,453	805	2,175
Computer software	5,225	5,225	-	84
	39,514	34,296	5,218	7,776

6. DESIGNATED GRANTS

The Board of Governors has approved grants totalling $950,725 less $2,455 of grants revoked relating to the previous year, for a net of $948,270, during the year ended March 31, 2004 (2003 - $943,962). Grants that have been approved but remain unpaid at year end are reported as liabilities. These unpaid grants are expected to be paid out of existing cash resources and future revenues.

7. COMMITMENT

Subsequent to year end, the Foundation entered into an agreement to rent it's premises under a long-term lease which expires June 30, 2009. The annual base rental for this lease is $4,680 plus common area costs. The estimated total common area costs for the upcoming fiscal year are $7,133.

8. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.